Practitioner Utilization: Trends Within Privately Insured Patients 2001-2002

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Outline of Presentation

- Goals of the analysis
- Data, methods, and caveats
- Summary of findings -- previous years
- Trends in spending, volume of care, payment rates
- Selected policy topics
- Conclusions

Goals of the Analysis

- Measure use of practitioner services
  - Physician and non-physician practitioners
  - Under-65, privately-insured MD residents
- Track trends
  - Spending, volume of care
  - Fee level (price per service)
- Examine topics of policy interest

Data and Methods

- Private insurers' claims and encounter data (MCDB)
- Practitioner services only (mainly physicians)
- Payment = insurers' payment + out-of-pocket
- Medicare relative value units (RVUs) for quantity of care
- Calculate total payments, average price ($/RVU), trends
- Main caveats
  - Growth reflects enrollment shifts (rising non-HMO enrollment, falling HMO enrollment).
  - Falling HMO capitation means more care is reported from HMOs.
  - 2003 data through April 2003 - examine prices only.

Summary of Prior Reports

- Data from 1999 – 2001
- Maryland fees averaged near Medicare level
  - HMO fees slightly lower than non-HMO
  - Similar pricing structure, HMO and non-HMO
    - Fees for office visits below Medicare
    - Fees for most other services above Medicare

- No inflation evident (rates were stable)
- Quantity of care growing about 10% per year
- Highest growth in imaging, hospital OPD

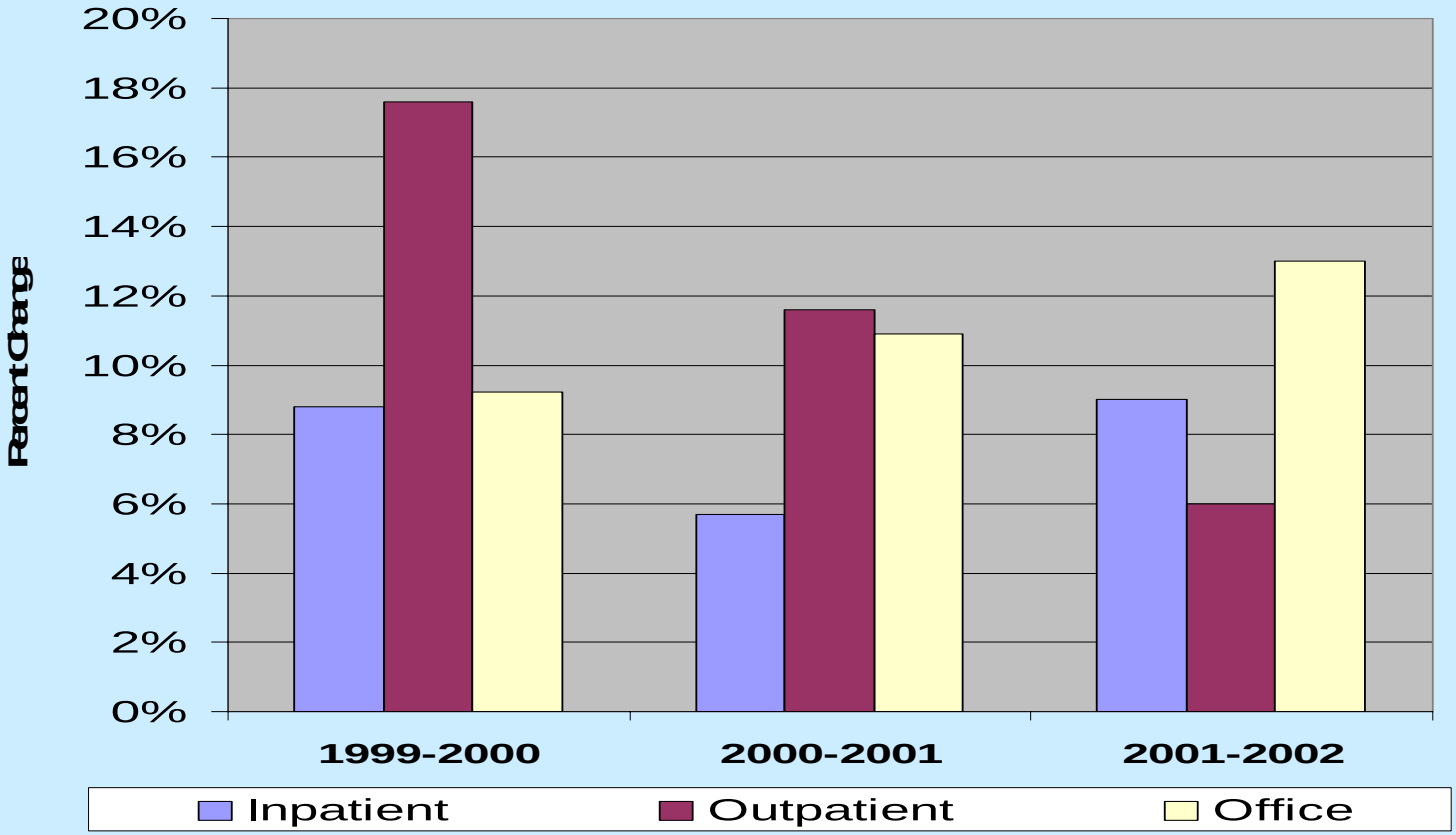
Changes in Spending and Volume of Care, 2001-2002

Growth in Volume of Practitioner Services, 2001-2002

- Total spending or volume increase
  - Non-HMO: 18% increase in spending
  - HMO: 8% increase in volume (RVUs)
- Recall caveats above
  - Shift of enrollment to non-HMO
  - Reduction in capitation boosts HMO number
- Show combined volume-of-service (HMO and non-HMO) on next slides

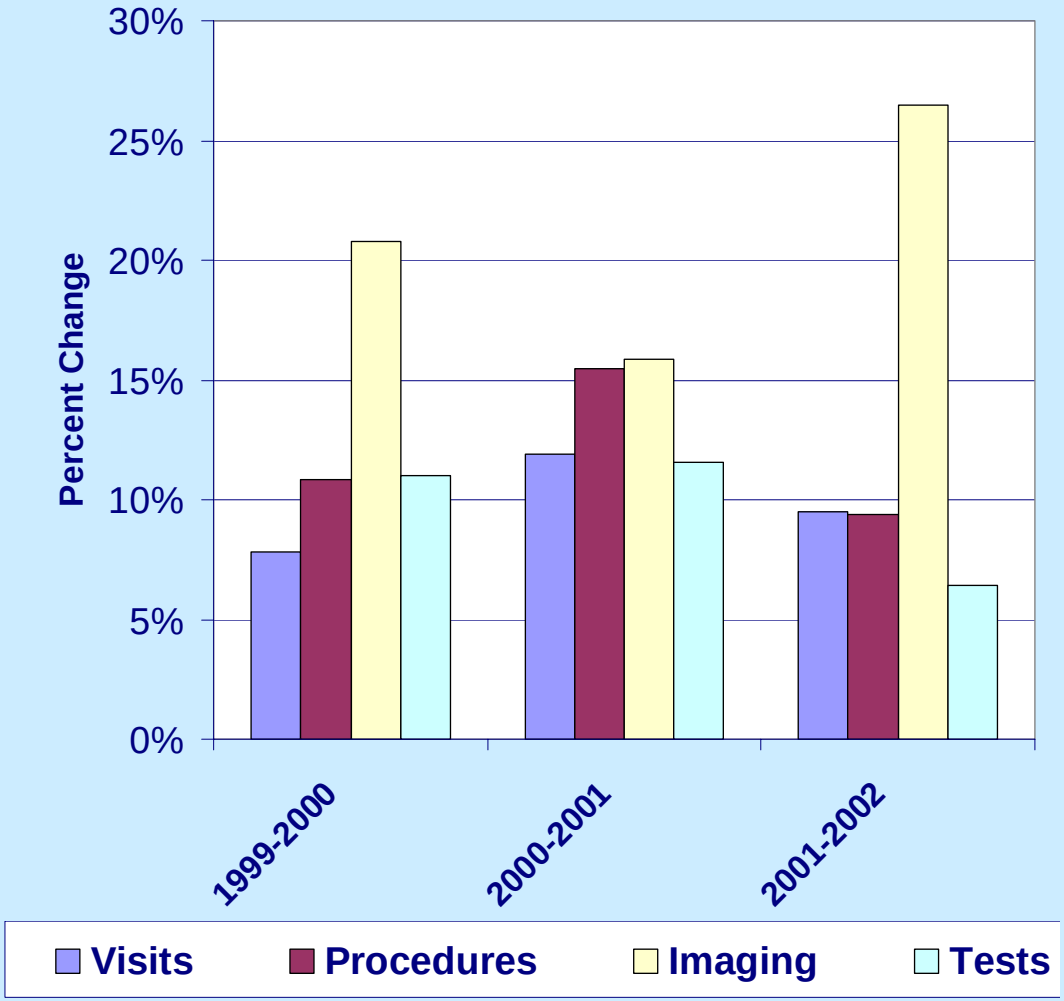
Care Shifted to Physician Offices

Growth in RVUs, All Plans, by Place of Service



Persistent Rapid Growth in Imaging Services

Growth in RVUs, All Plans, by Type of Service



Payment Rates in Private Plans and Medicare

Payment Rates: Methods

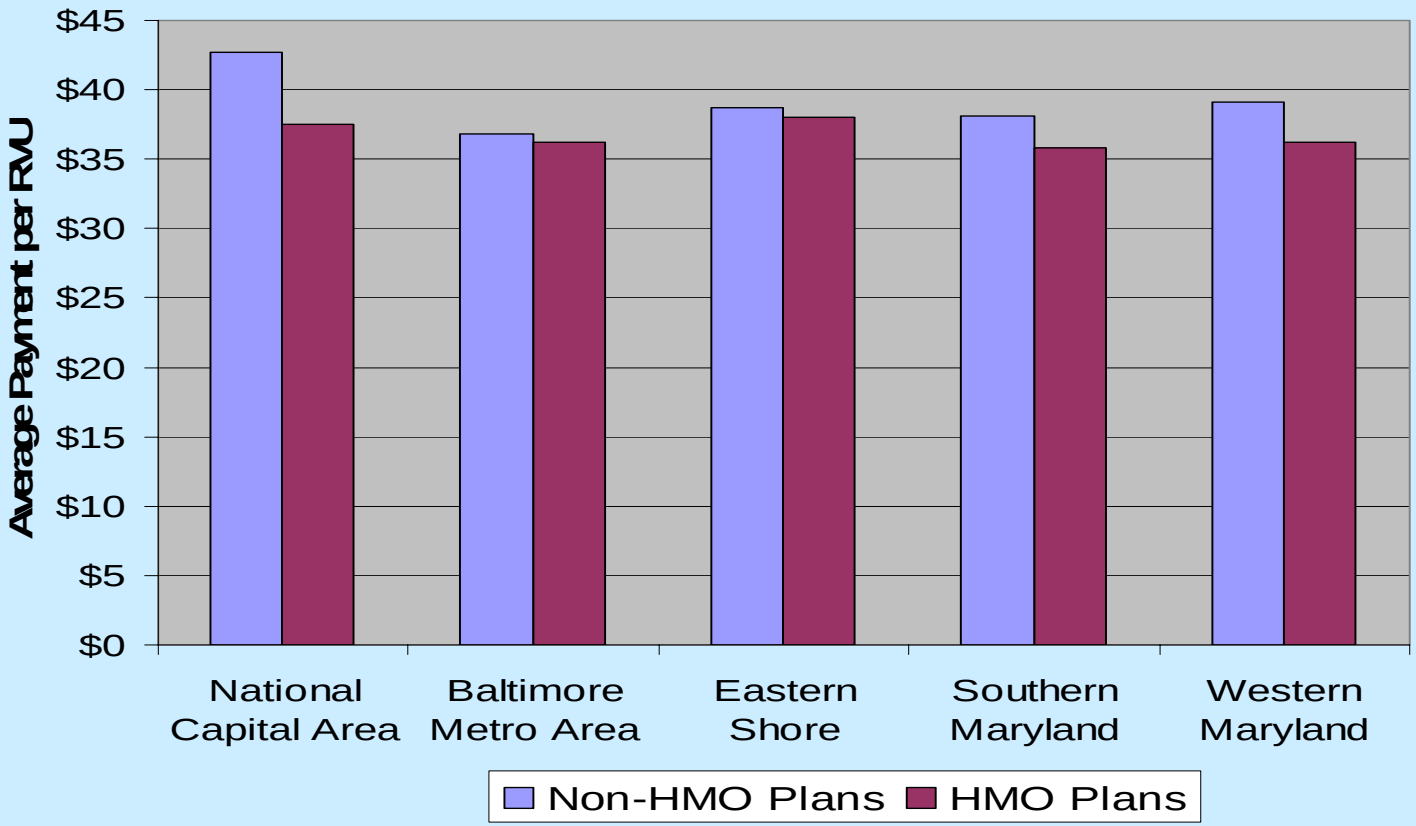
- Claims data only
  - Non-HMO + HMO fee-for-service data
- Cross-sectional analysis, 2002
  - Calculate private payment per RVU
- Trends, 1999-2003
  - Calculated without reference to RVUs

Maryland Private Fee Level

- Maryland fees are below national average
  - Maryland: private average fee near Medicare level
  - US: private average fee about 120% of Medicare
- Maryland is probably in bottom one-quarter of states, in terms of private fees relative to Medicare.
- Why are private fees low in Maryland?
  - Abundant physician supply
  - High managed-care penetration
  - Low fees in adjacent Northeast states

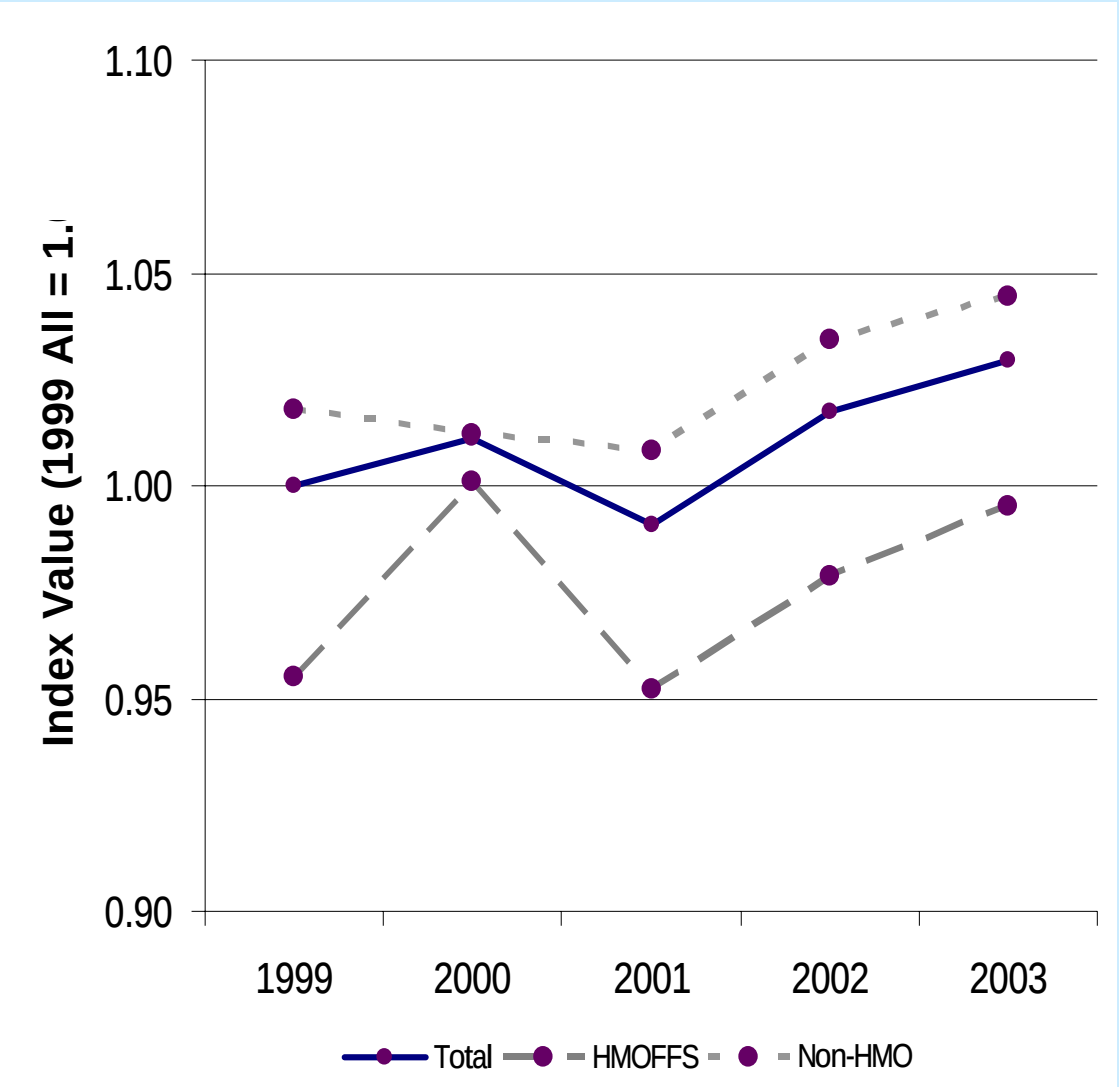
Fee Level Varies Across Maryland Regions

(Average Payment per RVU, 2002)



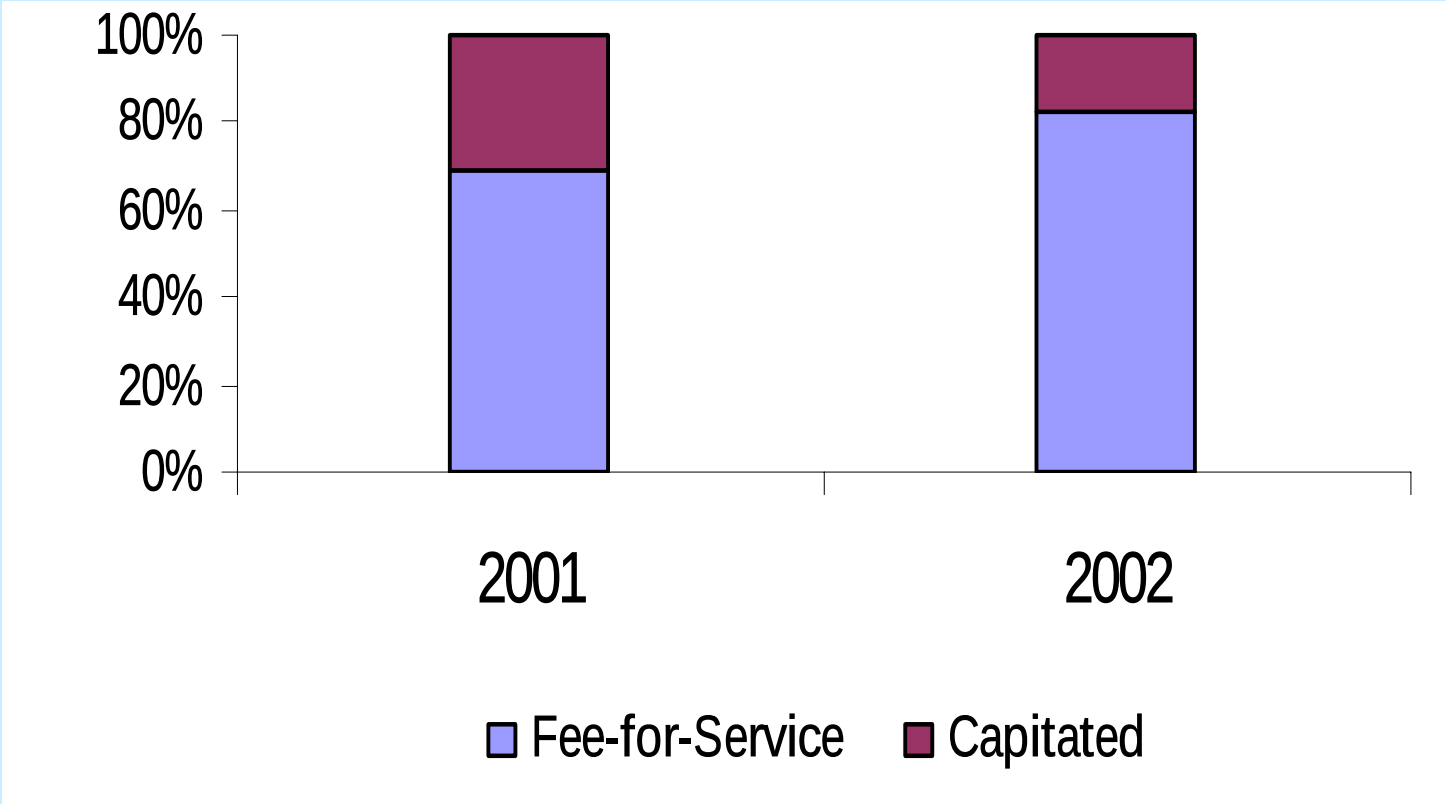
Average Private Fees Began Rising in 2002

Level of Fees (1999 All-Plans Average = 1.00)



Use of Capitation Declined

(Reported HMO RVUs for Capitated and Fee for Service Care as Percent of total , 2001 and 2002)



Policy Topics

- HMO payments to non-contract physicians
  - Current law sets minimum payment rates
- Physicians and non-physician practitioners
  - Proposals would mandate equal payment in some cases
- CSHBP out-of-pocket costs
  - MHCC must regulate benefit package to keep premium below “affordability cap”

HMO Payment to Non-Contracting (Non-Participating) Providers

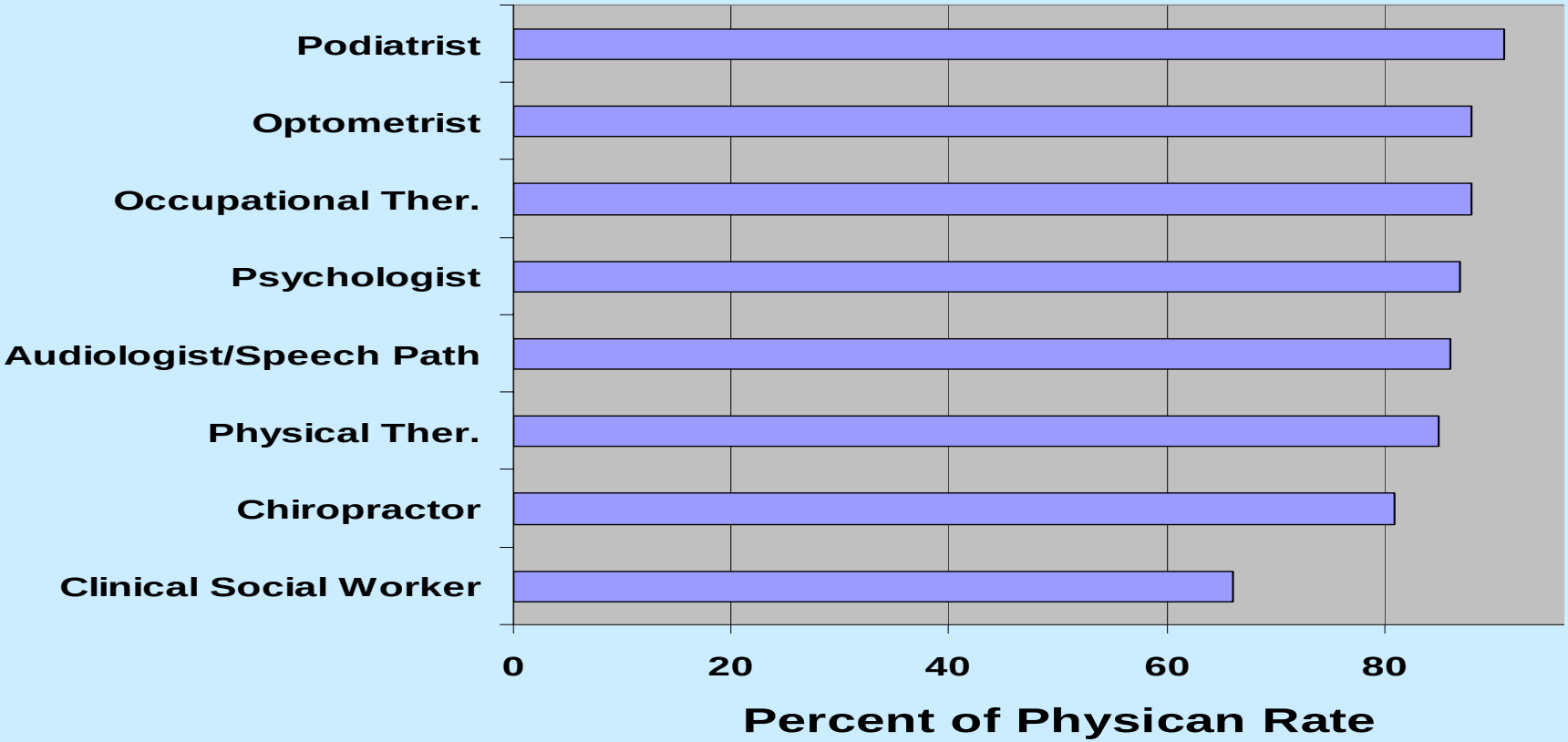
- Issue is most important for emergency room care
  - One-third of 2002 HMO ER bills were non-par.
  - These accounted for 20% of all HMO non-par bills.
- Apparent compliance with statutory minimum payment rates was unchanged, 2000-2002.
  - About 22% of HMO ER non-par bills exceeded estimated statutory minimum payment rate.
  - But most bills paid near the minimum.
  - Strict adherence would raise total payments modestly.
    - Would raise payment on all HMO ER non-par bills by 9%
    - Would raise payment on all HMO ER bills by 3%
    - Would raise payment on all ER bills by < 2%

Payment Rates for Non-Physician Practitioners

- Some proposed legislation would require equal payment for some providers.
- What are typical physician and non-physician payment differences?
- Look at same services and compare physician versus non-physician.
- Non-physician rates are typically lower.

Average Non-Physician Rates as Percent of Physician Rates for Same Services

(Non-HMO Plans, 2002)



Comprehensive Standard Health Benefit Plan (CSHBP)

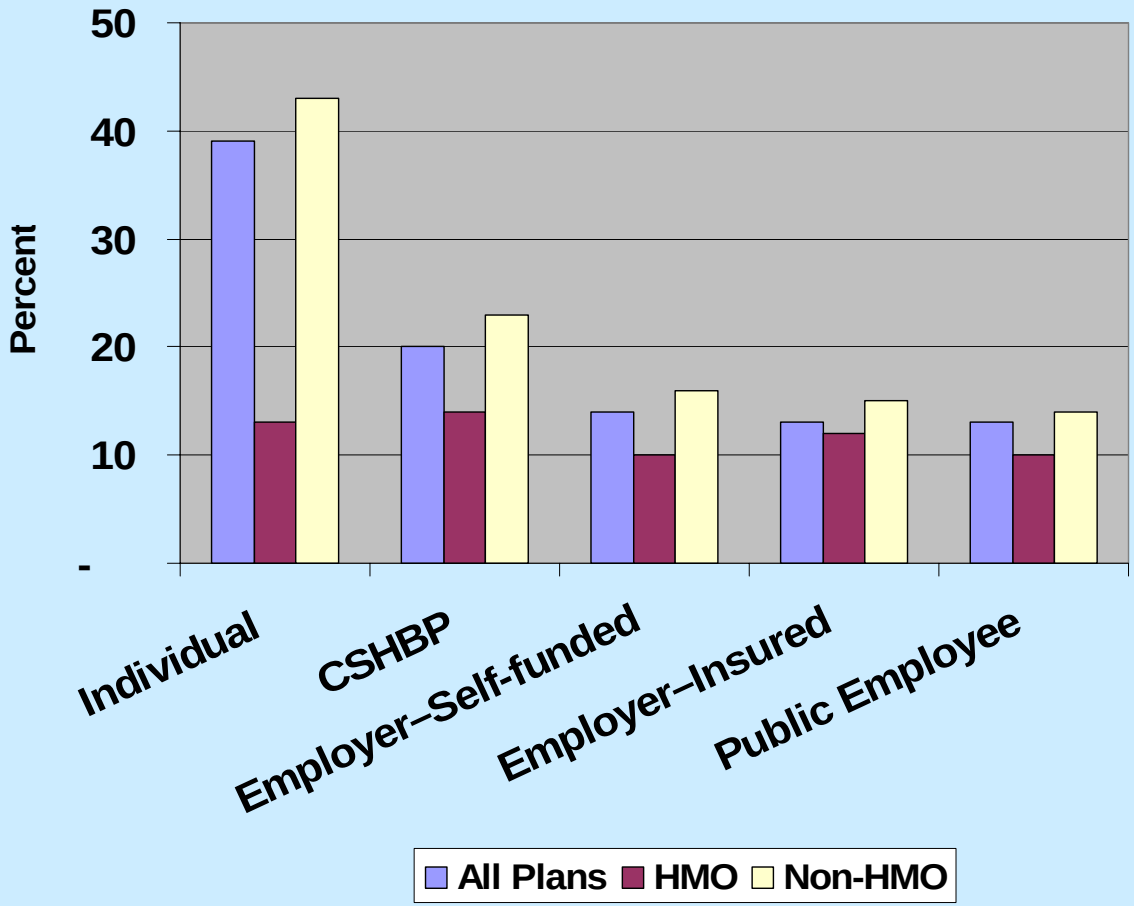
- Provides basic benefit -- employers can buy riders to “buy down” co-insurance and deductible.

- MHCC regulates benefit structure for statutory “affordability” cap: Premium cannot exceed 10% of average wage (in 2002 cap was 12%).

- How does CSHBP compare to other product lines?

Out-of-Pocket Costs for Professional Services in CSHBP and Other Types of Coverage

(Percent of Practitioner Payments Out-of-Pocket, by Coverage Type)



Caveats

- Limitations of claims and encounter data
  - Not all persons or services included
  - Enrollment changes affect trends
  - Changes in data completeness affect trends
  - Claims data are always imprecise
  - Payment/RVU does not include capitated care

Conclusions

- Growth in volume of care continued near recent trend rate, led by persistent rapid growth in imaging services.
- Fees began rising, on average, in 2002, continued in 2003. This contrasts to flat-to-declining fees 2001 and earlier.
- Maryland fees are relatively low (about 25th percentile of states), plausibly due to high physician supply and managed-care penetration.
- Relatively little difference between HMO and non-HMO average fees, but gap is largest in National Capital Area.

Conclusions (continued)

- HMO compliance with 125% threshold unchanged 2000-2002. Total dollars involved in non-compliance appear small.

- Non-physician “discount” 10-30%, varies by specialty. Payment is not uniform among physician specialties.

- CSHBP out-of-pocket share of costs falls between level calculated for group-purchase and individual-purchase products.